

STATE OF MICHIGAN
DESCRIPTIONS OF COMPONENT UNITS - PROPRIETARY
FISCAL YEAR ENDED SEPTEMBER 30, 1999

MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

The Authority was organized under P.A. 38 of 1969, as amended, to lend money to nonprofit, nonpublic hospitals and health-care corporations for capital improvements or debt refinancing. The Act also empowers the Authority to sell bonds and to enter into loan and other agreements to obtain the necessary funds for such loans. The Authority is comprised of seven members including a chairperson and four public members appointed by the Governor with the advice and consent of the Senate, and two members ex officio (the State Treasurer and the Director of the Department of Community Health). Some of the Authority's revenue and mortgage bonds have been defeased by the various borrowers by placing proceeds of new bonds in an escrow with the State Treasurer or trustee as escrow agent. Such defeased bonds and related investments are reported in the State Treasurer's Escrow and Paying Agent Fund.

The MSHFA no longer performs trustee, fiscal agent, registrar, and paying agent functions for bonds payable. The bonds and related assets have been transferred to financial institutions' trust departments. Since these obligations are, in substance, debts of other entities, MSHFA does not reflect the liabilities, assets, revenues and expenditures related to these bonds within its financial statements.

MICHIGAN EDUCATION TRUST

The Michigan Education Trust (MET) operates a prepaid tuition program. A purchaser enters into a contract with MET which provides that in return for a specified actuarially determined payment, MET will provide a Michigan child's undergraduate tuition at any Michigan public university or community college. The amount which the purchaser is required to pay is based on several factors. Among these are tuition costs, the child's age and grade in school, anticipated investment earnings, tuition rate increases, and the type of contract purchased.

The creation of MET as an entity within the Michigan Department of Treasury was authorized by P.A. 316 of 1986. The MET is governed by a nine-member board that consists of the State Treasurer and eight other individuals appointed by the Governor with the advice and consent of the Senate. Although MET is administratively located within the Michigan Department of Treasury, the act provides its assets are not to be considered assets of the State and are not to be loaned or otherwise transferred or used by the State for any purpose other than the purposes specified in the act. The act and contracts also specifically provide that the State is not liable if the MET becomes actuarially unsound. In that event, the contracts provide for refunds to participants.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Public Act 222 of 1975, as amended, authorized the establishment of the Michigan Higher Education Student Loan Authority within the Department of Education, for the purpose of making loans to qualified students (or their parents) attending participating institutions of higher education. Executive Order 95-3 transferred the Authority from the Department of Education to the Department of Treasury, effective April 5, 1996. The Authority may issue revenue-dedicated debt in the principal amounts necessary to provide funds for achieving its purpose. The Authority is governed by the sixteen members of the Michigan Higher Education Assistance Authority. Of these members, fifteen are appointed by the Governor with the consent of the Senate. The State Treasurer, an ex officio member, serves as chairman.

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

The Michigan Higher Education Assistance Authority was created by the Legislature through P.A. 77 of 1960, as amended. It is governed by a sixteen member board, each member being appointed by the Governor with the advice and consent of the Senate. The Authority is empowered to guarantee 100% of principal and interest on loans to persons (or their parents) attending eligible post-secondary educational institutions in Michigan. The federal government reimburses the Authority for losses on purchased loans at varying percentages depending upon rates of defaults. Revenues consist of recovery of loan losses, federal reimbursement, loan guarantee fees, and investment income. The Authority utilizes a governmental fund and a proprietary fund. The governmental fund accounts for assets and earnings that are property of the federal government under the Higher Education Amendments of 1998. The proprietary fund accounts for property of the Authority.

STATE OF MICHIGAN
DESCRIPTIONS OF COMPONENT UNITS - PROPRIETARY (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1999

MACKINAC ISLAND STATE PARK COMMISSION

The Mackinac Island State Park Commission was established by P.A. 355 of 1927, as amended. It consists of seven members who are appointed by the Governor with the advice and consent of the Senate. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue dedicated bonds. Operating transfers to the Commission are principally from the General Fund for park operations.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

The Michigan State Housing Development Authority (MSHDA) was created by P.A. 346 of 1966, as amended, to issue notes and bonds to finance housing for sale or rental to families with low or moderate incomes and to finance home improvements. The MSHDA is also the administrator of various "Section 8" housing programs in Michigan for the U.S. Department of Housing and Urban Development. Members of the Authority are appointed by the Governor. The Authority, which is administratively within the Department of Consumer and Industry Services, has a June 30 fiscal year-end.

MICHIGAN MUNICIPAL BOND AUTHORITY

The Michigan Municipal Bond Authority (MMBA) was created by P.A. 227 of 1985, as amended, to assist local units of government in reducing their financing costs for public improvements, deficit reduction, and various other municipal purposes. The MMBA pools the borrowing needs of various units and issues limited obligation debt, the proceeds of which are used to purchase local unit obligations or to make loans to local units.

The Authority is an organization within the State Department of Treasury. The Authority is governed by a board of trustees consisting of the State Treasurer, two appointees of the Governor, and five residents of the State to be appointed by the Governor with the advice and consent of the Senate.

The MMBA and the Department of Environmental Quality serve as co-administrators of a special State Revolving Fund, which is reported as part of the MMBA. The State Revolving Fund assists governmental units in financing water quality projects. Financing for this activity is provided by the federal government and matching funds provided by the State, investment interest earnings and/or other available funds. The MMBA's separately issued financial reports provide a separate accounting of this fund's activities.

STATE BAR OF MICHIGAN

The State Bar of Michigan is an association of lawyers who are licensed to practice in Michigan. It is organized as a public body corporate. Its financial support comes solely from member dues and income from member services. The State Bar's budget is the responsibility of its Board of Commissioners, and it is not subject to State of Michigan appropriation procedures.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

The Michigan Economic Development Corporation (MEDC), under Article VII, Section 28 of the Michigan Constitution of 1963 and Act No. 7 of the Public Acts of 1967, is a public body corporation created by a ten year contract (inter-local agreement) between participating local economic development corporations formed under Act No. 338 of the Public Acts of 1974 and the Michigan Strategic Fund (MSF). The MEDC is a separate legal entity whose purpose is to stimulate, coordinate and advance economic development in the State. Under the terms of the agreement, the governance of the MEDC resides in an executive committee of 17 members appointed to eight year, staggered terms by the Governor.